



County of Los Angeles  
**CHIEF ADMINISTRATIVE OFFICE**

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012  
(213) 974-1101  
<http://cao.lacounty.gov>

DAVID E. JANSSEN  
Chief Administrative Officer

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March 1, 2007

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

**SACRAMENTO UPDATE**

**Governor Schwarzenegger's Letters to the President and Secretary Leavitt**

Governor Arnold Schwarzenegger has been in Washington, D.C. this week to attend a meeting of the National Governor's Association and to meet with Health and Human Services Secretary Michael Leavitt. Attached are copies of the letters that the Governor sent to the President and to Secretary Leavitt, and a document outlining the Federal funding needed to implement the Governor's Health Care Reform Proposal.

The Governor's letter asks that California be "treated more fairly in the Federal budget process" and expresses his opposition to the President's proposed \$100 billion in Medicare and Medicaid cuts, because these cuts will only shift costs to states. The Governor also indicates that reauthorization of SCHIP is at the top of his Federal health care agenda, and points out that the President's budget falls short of the \$4.0 billion in new Federal funding that California will need over the next five years to cover current eligible children in California's Healthy Families Program.

In his letter to Secretary Leavitt, the Governor reiterated his opposition to the proposed Medicare and Medicaid budget reductions, expressed his concerns about the recent CMS Medicaid rule which would reduce funding for public hospitals, and asked the Administration to reconsider the rule. **On a very positive note for Los Angeles County, the Governor requested CMS to approve the County's proposed extension of the Medicare Provider Agreement for Martin Luther King, Jr. Hospital through August 15, 2007.** The Governor noted the "significant progress"

made by the County in restructuring the hospital and in addressing the quality of care issues raised by the Federal and State governments. The Governor also noted that without an extension of the Agreement, the ability of the Charles R. Drew University of Medicine and Science to train residents that treat one of California's most underserved populations would be eliminated. Finally, the Governor restated California's need for an additional \$800 million annually in Federal SCHIP funding.

### **Senator Sheila Kuehl's Single-Payer Health Plan Reintroduced**

On February 27, 2007, Senator Sheila Kuehl held a press conference to announce the reintroduction of SB 840, which was vetoed by the Governor last year. The County supported last year's version of the bill. We will be working with the Department of Health Services to analyze the legislation.

SB 840 is a single-payer health plan which would create a State agency to pay for universal health care for all Californians. Several legislators, including Senate Majority Leader Gloria Romero and Assembly Majority Leader Karen Bass, spoke on behalf of the plan and indicated that they are among the 38 co-authors on the bill. SB 840 also is endorsed by Assembly Speaker Fabian Nuñez and Senate President pro Tempore Don Perata. Numerous advocacy groups, including the California Nurses Association, senior citizen organizations, and SEIU also attended the press conference.

Later that day, the Assembly Health Committee held a hearing on the subject of Senator Kuehl's single-payer health plan. SB 840 is awaiting referral to the Senate Health Committee.

### **Pursuit of County Position on Legislation**

**AB 119 (Price)**, as introduced, would require the State to pay for expenses incurred on or after January 1, 2007, for elections proclaimed by the Governor to fill a vacancy in the office of State Senator or member of the Assembly or to fill a vacancy in the office of the United States Senate or Representative in Congress. If an election proclaimed by the Governor is consolidated with a local election, the State would pay only the additional expenses directly related to the election proclaimed by the Governor. This bill would declare that it is to take effect immediately as an urgency statute.

The Registrar-Recorder/County Clerk recommends that the County support AB 119 because it would reimburse the County for the cost of certain elections, and we concur. Support for this measure is consistent with the County's support of AB 547 (Longville) of 2000 and AB 783 (Jones) of 2005, both of which provided for State reimbursement of special elections costs although each bill contained a sunset clause. Support for AB 119 also is consistent with existing policy to support proposals to provide County reimbursement for the costs incurred in conducting special elections to fill vacancies in State and Federal offices. **Therefore, our Sacramento advocates will support**

**AB 119.** There is no registered support or opposition on record. This measure is currently in the Assembly Elections and Redistricting Committee awaiting a hearing date.

## **STATUS OF LEGISLATION OF COUNTY INTEREST**

### **County Interest Bills**

**SB 113 (Calderon)**, which would require that the presidential primary election be held on the first Tuesday in February in any year evenly divisible by the number four and that the primary not be consolidated with any statewide direct primary held in that year, passed the Assembly Appropriations Committee on a partisan roll call on February 26, 2007. The Urban Counties Caucus and the California Association of Clerks and Election Officials are seeking statutory language that would ensure timely reimbursement to Counties upon certification of costs by the Secretary of State. The California State Association of Counties opposes the bill unless amended to include similar statutory language. SB 113 now proceeds to the Assembly floor.

We will continue to keep you advised.

DEJ:GK  
MAL:RM:MS:acn

### **Attachments**

c: All Department Heads  
Legislative Strategist  
Local 660  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
Buddy Program Participants



GOVERNOR ARNOLD SCHWARZENEGGER

February 26, 2007

The President  
The White House  
Washington, DC 20500

Dear Mr. President,

As you move forward with the difficult task of establishing spending priorities for the nation, I wish to highlight several impacts of your proposed Budget on our State. California is a key driver of economic growth and innovation for the nation and a major contributor to the federal tax base. Consequently, it is a top priority for me to ensure the State is treated more fairly in the federal budget process.

I also want to take this opportunity to urge you to chart a bipartisan course as you navigate these issues in the months ahead. As I have learned in California, by setting aside our partisan differences, we can make much greater strides in addressing our most difficult common challenges.

Education

In our rapidly evolving global economy, workers need training that will allow them to successfully compete. As such, I am disappointed by your decision to significantly cut Career and Technical Education State Grants and Tech-Prep Education State Grants. These programs provide critical funds to develop and support career technical education in both the K-12 and community college systems in California and directly support my efforts at the State level to reinvigorate career technical education. To keep competitive, we must expand opportunities for high school and community college students to take academically rigorous courses *and* ensure that we are keeping pace with other forward-looking nations in career technical education. Your decision to cut funding in this area not only constrains my efforts, but the efforts of governors across the nation to build the workforce of the future and keep the American economy competitive in the years to come.

I have consistently called for increases to the maximum Pell Grants and I am pleased to see that your Budget supports an increase. California has a world-class higher education system, and the increased Pell Grants will allow our low income students to minimize their need for student loans. I also support your proposal to eliminate the tuition sensitivity provision associated with Pell. Under this unfair rule, because the tuition and fees are low within the California Community College system, our students do not receive the maximum Pell award. Your decision to eliminate this provision will ensure that our students receive their fair share of federally available student aid.

I am also concerned with the proposed elimination of the Leveraging Educational Assistance Partnerships (LEAP) program. The LEAP Program provides critical federal matching dollars as an

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incentive grant to our Cal Grant need-based student aid program. Any reduction in funding will force California to supplement the federal LEAP Program with monies from the State General Fund.

#### Labor

My disappointment continues with the insufficient funding for federal workforce training programs. Since the initial appropriation for the Workforce Investment Act (WIA) program in 2000-01, the amount allocated by the Federal Budget for WIA has decreased in each of the last six program years. The decrease for California in the three funding streams is \$216.6 million or 34.4 percent. Your proposed Budget for fiscal year 2008 will make these cumulative cuts even greater.

#### Medicare and Medicaid

I cannot support the significant reimbursement cuts you proposed in Medicare and Medicaid. The Medicaid cuts are particularly troublesome, because they primarily shift costs to states by changing federal government reimbursements and long established matching rates. Many of these proposals have been offered in the past and soundly rejected by Congress. This is a short-sighted "one-size fits all" approach that does not recognize the need for long-term reforms that will truly change how health care is delivered. To make real progress on this issue, we must emphasize prevention and wellness, disease management, efficiency, efficacy, affordability and shared responsibility. While I do not anticipate, that your proposed Medicaid and Medicare cuts will have any direct impact on the federal matching funds associated with my health care reform plan, I will urge members of our delegation to oppose these cuts for the reasons stated above.

#### SCHIP

The States Children's Health Insurance Program (SCHIP) is one of the great success stories of the last decade, and its reauthorization is my top federal health care priority this year. The flexibility of the program and the initial federal funding investment has made this effort a remarkable success. Today, nearly six million children nationwide have insurance coverage as a result, with more than one million in California alone. We are very proud of our Healthy Families program, and it is my goal to make sure we enroll every child eligible for Healthy Families or Medi-Cal. To that end, I funded an extensive outreach program to enroll all currently eligible children and pregnant women into this vital program. We estimate that California will need up to \$4 billion in new federal funding over the next five years just to cover currently eligible children. Given California's funding needs alone, your Budget falls far short of what will be necessary nationwide to fund only the existing program.

#### State and Local First Responder and Law Enforcement Grants

I have strong concerns about the cuts you have proposed for key programs at the Department of Homeland Security (DHS) and Department of Justice, which provide grants to state and local first responder and law enforcement agencies. California is successfully using these grants to build important security capabilities, including intelligence gathering and analysis, exercises and training and interoperable communications. The proposed 37 percent cut to the DHS first responder grant programs would seriously undermine these efforts in my state. The negative impact of these

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reductions are compounded by the proposed cuts in funding and elimination of key Justice programs, including Byrne, COPS, Juvenile Justice and Justice Assistance grants.

#### SCAAP

I am disappointed that you have once again proposed to eliminate the State Criminal Alien Assistance Program (SCAAP). SCAAP is necessary to at least partially offset the costs California taxpayers are bearing as a direct result of the federal government's continued failure to secure the border. The costs and burden of housing criminal aliens is growing. California alone spends more than \$800 million per year as a result of this unfunded mandate. Unfortunately, your Budget undermines the work of Congress and a bipartisan coalition of governors who recognize the value of SCAAP and the need for federal leadership. I am committed to working with the federal government to protect our great nation and to reform our immigration laws. However, until the federal government can achieve control of our borders, every effort should be made to help states and local governments cover a greater share of the considerable expense they incur to incarcerate criminal aliens.

#### Alternative Minimum Tax (AMT)

I applaud your efforts to fix the alternative minimum tax so it does not continue to threaten millions of taxpayers with significantly higher federal tax bills. As you know, more than 20 percent of filers impacted by the AMT live in California. I am hopeful that you and Congress can work together to find a permanent solution to this unintended tax consequence.

#### Veteran's Health Care

I am pleased that your Budget continues to provide significant resources for the health care of our veterans. I hope for a quick resolution to ensure our returning veterans and their families receive the best of care.

Thank you for your consideration of these requests. By working together and reaching across party lines, I believe we have a real opportunity this year to move forward on the issues that will define our nation's future prosperity and quality of life. In this spirit, I look forward to working closely with you, members of the California congressional delegation and all members of Congress to ensure that California's taxpayers are treated as fairly as possible in the Federal Budget.

Sincerely,



Arnold Schwarzenegger

cc: California Congressional Delegation



GOVERNOR ARNOLD SCHWARZENEGGER

February 27, 2007

The Honorable Michael O. Leavitt  
Secretary of Health and Human Services  
U.S. Department of Health and Human Services  
200 Independence Avenue, SW  
Washington, DC 20201

Dear Mr. Secretary,

Thank you for taking the time to meet with me and discuss several health care issues which are critically important to Californians and to all Americans.

As we discussed, my top health care priority this year is enacting a universal health care coverage initiative in California. My comprehensive, shared-responsibility reforms will extend coverage to all Californians, promote the core principles of wellness and prevention and dramatically lower costs and improve affordability. We all have a stake in this issue and under my plan I am asking all parties to share responsibility for fixing a broken system, including the individual, insurers, business, health care providers and all levels of government.

My reforms include a strong partnership with the federal government. I am pleased that senior staff from the Centers for Medicare and Medicaid Service (CMS) agree that there are federal matching dollars available under current federal law, as well as authority for that funding (except for the \$250 million of discretionary federal funding proposed under a new 1115 waiver). Federal authorities did note that the entire States Children's Health Insurance Program (SCHIP) program is up for reauthorization which I discuss below. In addition, my health care reform proposal is consistent with your Four Cornerstones of Value-Driven Health Care Initiative. As we discussed, I share your commitment to promoting a more cost-effective, efficient health care system and intend to sign an Executive Order adopting your four principles for California. Working together, we can promote market-based health care reform strategies that improve and inform consumer decision-making and drive the health care market to perform at peak levels.

Although I recognize the need for the federal government to create sustainable growth in the Medicare and Medicaid programs, I cannot support the President's \$100 billion in cuts for these programs. The Medicaid cuts are too heavily targeted toward federal cost containment at the expense of the states, and there is not enough reform in the health care delivery system. Although I do not believe the proposed cuts will directly impact California's ability to draw down the necessary federal matching funds for my health care reform proposal, the significant reductions in federal



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reimbursements to health care providers will work against my efforts to equalize health care provider reimbursement rates in California. Directly related to these cuts is the draft CMS government owned health care provider rule that was just released. I am pleased that senior CMS staff has informed my senior health advisors that this new rule will not impact California's hospital financing waiver and that payments to our public hospitals under the current waiver are not in jeopardy. However, until we have universal health coverage in this country, government-owned health care providers - the providers of last resort when it comes to health care for tens of millions of Americans - will continue to struggle financially. This stems from losses they incur in serving the uninsured, underinsured as well as the low reimbursement they receive under Medicaid. Therefore, I strongly urge you to reconsider the draft rule.

I appreciate CMS staff's discussions and efforts to date to renew California's family planning Medicaid waiver (F-PACT). The F-PACT program has contributed to California's nation-leading success in preventing unintended pregnancies and has saved the federal government and the state hundreds of millions of dollars annually. As you may be aware, federal-state efforts to renew the F-PACT waiver have been underway for over 30 months. While many issues have been resolved, there are two changes being pressed by CMS that, if implemented, will compromise access to essential services and increase program costs. The proposed changes will require an eligibility determination process that will cost the state and federal government up to \$577 a year per application to determine eligibility for a program benefit that averages \$261 a year. The CMS proposal will cost the federal government up to \$392 million a year for new increased administrative costs for a program that currently costs \$303.5 million a year, and, by compromising access to essential services, will endanger large portions of the \$748 million a year in savings the federal government receives from the program. I appreciate your consideration of our proposal to extend this waiver through the end of the calendar year, while the Legislature and I work through our health care reform.

I would also like to ask for your support of a request made by Los Angeles County (County) to extend the Medicare Provider Agreement for Martin Luther King Hospital through August 15, 2007. The County has made significant progress in restructuring this hospital and addressing quality of care issues and is meeting the expectations of the federal and state governments in its reform efforts. As we knew at the time the restructuring plan was adopted by the County last fall, the County would need additional time after March 31 to complete its efforts. Ending the hospital's certification on March 31 will penalize the hospital when it is showing major progress. It could also eliminate the ability of Charles R. Drew University of Medicine and Science to be able to train residents for some of our most underserved populations.

Finally, I appreciated our discussion on the reauthorization of the SCHIP program. As you know, we are very proud of our Healthy Families Program in California and I want to continue its success in expanding coverage of essential health services for California children. Between private sector health insurance, SCHIP and Medicaid, we provide health care for more than 90 percent of the children who live in California. I invested significant state resources in new outreach efforts to




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ensure that all children that are currently eligible are enrolled in this important program. Obviously, this requires that sufficient state and federal resources be available to pay for the coverage once we enroll children. In California alone, we estimate that we will need up to \$800 million annually in new federal funding (above our current annual base of \$800 million) just to enroll children eligible under current law. I am concerned that the President's budget will fall short of our needs in covering the currently eligible population of children. I look forward to working with the President, other governors and the entire Congress as you move forward in this critical program reauthorization.

With skyrocketing costs and an unacceptable number of uninsured, failure on these issues is no longer an option. Despite the obstacles, we can and must come together to address this problem, and I look forward to working with you and the President to make real progress on these issues. Thank you again for meeting with me. Together, I know we can build a brighter and healthier future for all Americans.

Sincerely,



Arnold Schwarzenegger



## Federal Funding for the Governor's Health Care Proposal

Today, Governor Arnold Schwarzenegger and California Health and Human Services Agency Secretary Kim Belshé met with U.S. Secretary of Health and Human Services Michael Leavitt to discuss the Governor's top health care priority: enacting a universal health care coverage initiative. The Governor's comprehensive, shared-responsibility reforms will extend coverage to all Californians, promote the core principles of wellness and prevention and dramatically lower costs and improve affordability.

Last month, Health and Human Services Agency Secretary Kim Belshé and members of the Governor's health care reform team met with the federal Medicaid director in Washington D.C. to discuss federal funding associated with the Governor's health care reform proposal. The team was assured that the federal matching dollars are available under current federal law and authority for all funding, except for the \$250 million of discretionary federal funding proposed under a new 1115 waiver. Federal authorities did note that the entire S-CHIP program is up for reauthorization and it was unknown how much that program would be funded in the future.

Below is a breakdown of the federal funds in the plan and an explanation of the funding sources and how and whether the various sources are guaranteed to the state. The chart shows that out of the \$5.47 billion in federal funds in the plan, California is entitled to \$5.22 billion under current federal law and only \$250 million will require a new federal waiver.

Federal Funding for the Governor's Health Care Proposal (Dollars in Millions)			
Funding Source	Current Funding	New Funding	Total
<b>Guaranteed under current federal authority*</b>			
Disproportionate Share Hospital Payments	\$1,000		\$1,000
Medicaid 1931b Coverage Expansion**		\$1,700	\$1,700
Physician and Hospital Rate Increases		\$1,608	\$1,608
Prevention and Wellness Measures		\$150	\$150
Existing Safety Net Care Pool Funding	\$766		\$766
<b>Discretionary</b>			
New 1115 Waiver		\$250	\$250
<b>Total</b>	<b>\$1,766</b>	<b>\$3,708</b>	<b>\$5,474</b>

\* Funding guaranteed under federal regulations and due to existing CMS and OMB approval.

\*\* Includes S-CHIP funding for expansion of kids coverage up to 300 percent of FPL.

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**Guaranteed under current federal authority**

**Under both the Medicaid (Medi-Cal) and S-CHIP (Healthy Families) programs, the federal government matches state dollars. The categories below will not require new federal authority to tap into the matching federal dollars.**

- *Disproportionate Share Hospital Payments:* Federal law requires state Medicaid programs to take into account the situation of hospitals that serve a disproportionate number of low-income patients with special needs when determining payment rates for inpatient hospital care. This requirement is referred to as the Medicaid disproportionate share hospital (DSH) payment adjustment. The health care reform proposal maintains the current DSH levels as prescribed in federal law paid in the same manner as currently done and therefore no new federal authority is necessary.
- *Medicaid 1931b expansion:* In 1996, Congress created the 1931b eligibility category. This category allows states to use a more liberal income eligibility determination as well as to eliminate any resource test. The coverage expansions proposed by the Governor are consistent with current federal law and will not require new authority.
- *Physician, Outpatient and Inpatient Hospitals Rate Increases:* The rate proposals are consistent with all existing and proposed federal regulations that establish the upper payment limit for hospitals. California's approved State Plan authorizes Medi-Cal to raise physician and outpatient rates. The Governor's health care reform proposal related to these Medi-Cal rate increases can be implemented under current federal authority.
- *Prevention and Wellness Measures:* Federal law allows California to reimburse providers for diabetes screening and management activities. The benefit package flexibilities afforded under the Deficit Reduction Act (DRA) will enable California to provide incentives or credits for healthy behaviors.
- *Existing Safety Net Care Pool:* The authority for the \$766 million in federal claiming for the Safety Net Care Pool is established by the Medi-Cal Hospital/Uninsured Care Demonstration (Medicaid 1115 Waiver). The federal Office of Management and Budget considers the \$766 million as part of California's baseline funding.

**Discretionary**

- *New Medicaid 1115 Waiver:* California will request federal approval for additional waiver funding to provide coverage to non-categorically eligible, single adults.
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